

KEEGAN WERLIN LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113

(617) 951-1400

TELECOPIERS:
(617) 951-1354
(617) 951-0586

Mary L. Cottrell, Secretary
Department of Public Utilities
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: NSTAR Gas Company, D.T.E. 04-37/D.P.U. 08-36
2008 Expanded Energy Efficiency Plan

Dear Secretary Cottrell:

On behalf of NSTAR Gas Company (“NSTAR Gas” or the “Company”), please find attached documents supporting NSTAR Gas’s expanded 2008 Energy Efficiency Plan (“2008 EE Plan”). The Company’s expanded 2008 EE Plan supplements its currently effective Five-Year EE Plan, and is being filed pursuant to the July 25, 2008, letter issued by the Department Public Utilities (the “Department”) directing all energy efficiency Program Administrators to increase spending for residential heating programs effective as soon as was feasible, and covering the 2008 winter season. The Company is proposing to increase its 2008-2009 Program Year Energy Efficiency budget by \$620,528 for expanded Energy Efficiency Programs for residential customers from September 1, 2008 through April 30, 2009.¹

Consistent with the directives of the Department in its July 25, 2008, letter, the Company’s proposal includes the following elements: (1) identification of the Company’s existing energy efficiency programs that are targeted at residential heating end-uses; (2) identification of the additional dollars the Company projects it can spend in a cost-effective manner; (3) identification and discussion of the constraints that limit the additional dollars the Company projects it can spend cost effectively; (4) identification of the additional number of residential customers that will be served by these expanded programs; (5) quantification of the additional kilowatt-hours (“kWh”), kilowatts (“kW”), therm or million British Thermal Units (“mmbtu”) savings that will be achieved; (6) quantification of the dollar savings on monthly bills that additional participants will be expected to realize; (7) indication of the effect the program expansion will have on the cost-effectiveness of the applicable programs; and (8) the Company’s proposed mechanism for recovery of incremental expenditures.

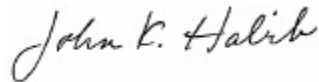
In support of its expanded 2008 EE Plan, the Company is filing the Direct Testimony of Penelope McLean Conner, along with Supplemental Pages to the Company’s currently-effective 2004-2009 EE Plan. The Supplemental Pages are designed to be inserted into the Company’s

¹ This proposed increase is over and above the Company’s proposal in D.P.U. 08-36 to increase its currently effective EE budget by \$1,054,857 for year 5 of the Company’s currently effective Five-Year EE Plan.

2007 Annual Report filed with the Department on June 30, 2008, and represent the Company's proposed incremental changes to its pending EE budget. In specific reference to the Department's request for proposals for a cost-recovery mechanism, the Company is proposing to collect its incremental EE expenditures through its Local Distribution Adjustment Charge tariff currently in effect.

Thank you for your attention to this filing. Should you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "John K. Habib".

John K. Habib

Attachments

cc: Benjamin Spruill, Hearing Officer
George Yiankos, Department of Public Utilities
Kevin Brannelly, Department of Public Utilities
Jed Nosal, Assistant Attorney General
Jamie Tosches, Assistant Attorney General
Tackey Chan, Assistant Attorney General
Frank Gorke, Department of Energy Resources
Steven I. Venezia, Department of Energy Resources
Jerrold Oppenheim, Low-Income Energy Affordability Network

NSTAR GAS COMPANY

Direct Testimony of Penelope McLean Conner

Exhibit NSTAR-PC

D.T.E. 04-37 / D.P.U. 08-36

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Penelope McLean Conner. My business address is One NSTAR Way,
4 Westwood, Massachusetts 02090.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am Vice President, Customer Care for NSTAR Gas Company (“NSTAR Gas” or
7 the “Company”) and NSTAR Electric Company.

8 **Q. Please describe your education and professional background.**

9 A. I have a Bachelor Degree in industrial engineering from North Carolina State
10 University. I am also a registered Professional Engineer. Prior to joining the
11 Company, I served as Director of Customer Service for Tampa Electric in Tampa,
12 Florida from 1998 through 2001 and worked at Duke Power for 12 years in Electric
13 Operations and Customer Service from 1986 through 1998.

14 I currently serve on several non-profit Boards of Directors, including the CIS
15 Conference, the Massachusetts Technology Collaborative, the Northeast Energy
16 Efficiency Partnership, Inc. and The Consortium for Energy Efficiency. I have also
17 authored a book entitled “Customer Service: Utility Style” that was recently
18 published. I am also a Columnist for Utility Customer Service for Electric Light &
19 Power Magazine.

1 **Q. Please describe your present responsibilities.**

2 A. As Vice President of Customer Care for the Company, I am responsible for
3 overseeing the Company's customer care organization. I am specifically responsible
4 for all customer services including customer inquiries, billing, metering, credit and
5 collections, energy efficiency and energy services.

6 **Q. What is the purpose of your testimony?**

7 A. My testimony will describe the Company's request to increase funding for residential
8 heating energy efficiency programs for 2008, including: (1) identification of
9 programs that are proposed to be expanded; (2) the additional dollars the Company
10 projects it can spend on such programs in a cost-effective manner; and (3) related
11 topics identified by the Department of Public Utilities (the "Department") in its
12 July 25, 2008, correspondence to electric and gas companies regarding Increased
13 Funding for Residential Energy Efficiency Programs.

14 **Q. What exhibits are you sponsoring in your testimony?**

15 A. I am sponsoring one exhibit along with this testimony, Exhibit NSTAR-PC. Exhibit
16 NSTAR-PC-1 is designed to be inserted into the Company's 2007 Energy Efficiency
17 Annual Report filed in this docket on June 30, 2008 (the "EE Annual Report"). The
18 EE Annual Report is provided annually to the Department as an update to the
19 Company's Five-Year Energy Efficiency Plan filed in D.T.E. 04-37 (the "NSTAR
20 Gas EE Plan" or the "EE Plan"). Exhibit NSTAR-PC-1 will supplement the
21 Company's EE Annual Report that is currently pending before the Department.

1 **Q. Is the Company sponsoring additional witnesses to support this filing?**

2 A. Not at this time. The Company understands the Department’s goal of implementing
3 expanded residential heating energy efficiency programs as soon as is feasible and,
4 therefore, as further discussed below, intends to implement its cost recovery
5 mechanism for this filing consistent with the Company’s existing recovery
6 methodology, as established in the Company’s Local Distribution Adjustment Clause
7 (“LDAC”) tariff.

8 **II. DESCRIPTION OF FILING**

9 **Q. Please describe the basis of the Company’s filing.**

10 A. On July 16, 2008, the Department of Energy Resources (“DOER”) filed a letter with
11 the Department requesting that the Department consider an immediate increase in
12 funding for energy efficiency programs targeted at residential heating end-uses, in
13 order address anticipated significant increased costs for heating fuel this winter. On
14 July 25, 2008, the Department issued a letter stating its agreement with DOER that
15 there is an urgent need to expand funding for existing residential gas and electric
16 efficiency programs in order to respond to the potential for very high heating costs in
17 the coming months. The Department required all energy efficiency Program
18 Administrators to increase spending for residential heating programs effective as
19 soon as was feasible, and covering the 2008 winter season. The Department noted
20 that it is proposing to limit funding increases to residential and low-income programs
21 at this time, in order to focus on the social costs and health risks associated with the

1 potential for increasing failure of residential customers to meet their winter heating
2 needs.

3 The Department held a meeting on July 29, 2008, to further discuss its July 25, 2008
4 letter. On August 1, 2008, the Department issued a Hearing Officer Memorandum
5 directing electric and gas companies to file proposals no later than Friday,
6 August 15, 2008.

7 **Q. Please describe the scope of the Company's proposal.**

8 A. Consistent with the directives of the Department in its July 25, 2008 letter, the
9 Company's proposal includes the following elements: (1) identification of the
10 Company's existing energy efficiency programs that are targeted at residential
11 heating end-uses; (2) identification of the additional dollars the Company projects it
12 can spend in a cost-effective manner; (3) identification and discussion the constraints
13 that limit the additional dollars the Company projects it can spend cost effectively;
14 (4) identification of the additional number of residential customers that will be
15 served by these expanded programs; (5) quantification of the additional therm or
16 million British Thermal Units ("mmBtu") savings that will be achieved; (6)
17 quantification of the dollar savings on monthly bills that additional participants will
18 be expected to realize; (7) indication of the effect the program expansion will have
19 on the cost-effectiveness of the applicable programs; and (8) the Company's
20 proposed mechanism for recovery of incremental expenditures. The filing also
21 addresses whether the Department should consider requiring companies to expanding

1 commercial and industrial (“C&I”) energy efficiency programs as well as other
2 programs in 2008.

3 **III. EXPANDED 2008 RESIDENTIAL HEATING ENERGY EFFICIENCY**
4 **PROGRAM ELEMENTS**

5 **Q. Please identify the Company’s existing energy efficiency programs that are**
6 **targeted at residential heating end-uses.**

7 A. The Company currently offers the following energy efficiency programs that target
8 residential heating end-uses: the High Efficiency Heating Rebate program, the
9 ENERGY STAR® Thermostat program, the ENERGY STAR Homes program, the
10 Weatherization program, the Low-Income Single-Family program, and the Low-
11 Income Multi-Family program.

12 **Q. Please identify which of these programs the Company proposes to expand and**
13 **the additional dollars the Company projects it can spend in a cost-effective**
14 **manner on residential heating end-use customers.**

15 A. NSTAR Gas projects it can spend an additional \$620,528 on these energy efficiency
16 programs in a cost-effective manner during the period September 1, 2008 through
17 April 30, 2009. The Company proposes to allocate these additional funds to five of
18 its energy efficiency programs that target residential heating end-uses as follows:

1

	Annual Report Exhibit 6 06/30/08	Supplementa l 08/15/08	Additional Funds
Program	Total Budget	Total Budget	
High Efficiency Heating Rebate	581,905	661,101	79,196
ENERGY STAR Thermostat	68,306	73,731	5,425
Weatherization	745,269	1,101,176	355,907
Residential Market Transformation	246,047	276,047	30,000
Low-Income Single Family	831,017	956,017	125,000
Low-Income Multi-Family	93,423	118,423	25,000
Total Additional Funds			620,528

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The Residential High Efficiency Heating Rebate Program promotes the installation of ENERGY STAR-rated high efficiency gas furnaces and hot water boilers, and energy efficient steam boilers. The program offers rebates for new construction and replacement equipment (i.e., lost-opportunity applications). The program also supports the Heat Loan financing option for consumers under the umbrella of the electric RCS/MassSAVE program which can be used for heating equipment upgrades. The Company proposes to increase its budget for the Residential High Efficiency Heating Rebate Program by \$79,196. These additional funds will be primarily used for customer incentives to help fund eligible replacement heating systems.

13

The Residential ENERGY STAR Thermostat Program promotes the sale and use of

1 residential programmable thermostats as a means to reduce gas heating costs for
2 consumers. They also have the ability to reduce electric cooling costs for consumers
3 with a combination central heating and cooling system. The program offers a \$25
4 mail-in rebate on the purchase and installation of up to two ENERGY STAR
5 programmable thermostats. The Company proposes to increase its budget for the
6 Residential ENERGY STAR Thermostat Program by \$5,425. These additional funds
7 will be primarily used for customer incentives to help fund the thermostat rebates.

8 The Residential Weatherization Program promotes the sale and installation of
9 insulation upgrades, and air sealing for existing residential homes. The program
10 currently offers a rebate of 50 percent up to \$1,500 for the installation of these
11 measures. The Company proposes to increase its budget for the Residential
12 Weatherization Program by \$355,907. These additional funds will be primarily used
13 to help meet expected increased demand and the proposed incentive upgrade from 50
14 percent to 75 percent (or from \$1,500 to \$2,000).

15 The Market Transformation is not a direct participant-based program. This line item
16 covers expenses associated with internal Company and external GasNetworks®
17 marketing. GasNetworks utility members share costs (e.g., printing of rebate
18 brochures, GasNetworks web-site maintenance, contractor training events, contracted
19 vendor circuit riders outreach to HVAC supply houses, contracted vendor circuit
20 riders to visit retail home goods stores, trade show participation costs, etc). The
21 Company proposes to increase its budget for Market Transformation by \$30,000.

1 These additional funds will be used primarily to support marketing related activities
2 to consumers and contractors.

3 The Low-Income Single Family program offers a free energy audit, attic insulation,
4 wall insulation, air sealing, heating system repair/replacement (on a qualifying basis)
5 and safety inspections. The Company proposes to increase its budget for the Low-
6 Income Single Family program by \$125,000. These additional funds will be
7 primarily used to support heating and insulation related upgrades.

8 The Low-Income Multi-Family program offers a free energy audit, attic insulation,
9 wall insulation, air sealing, heating system repair/replacement (on a qualifying basis)
10 and safety inspections. This program directly targets low-income multi-family
11 housing currently on a commercial rate. The Company proposes to increase its
12 budget for the Low-Income Multi-Family program by \$25,000. These additional
13 funds will be primarily used to support heating related repairs or upgrades.

14 **Q. Please identify and discuss the constraints that limit the additional dollars the**
15 **Company projects it can spend cost effectively.**

16 A. One constraint that limits additional spending in 2008 is the amount of time needed
17 to cost-effectively spend additional funds. If the Company's proposal is approved by
18 September 1, 2008, NSTAR Gas projects that the additional \$620,528 sought for
19 approval in this filing can be cost-effectively spent in the residential and low-income
20 market sectors. However, if approval is delayed beyond September 1, 2008 the
21 amount of additional funds that can be cost-effectively spent will decrease

1 proportionally with the passage of time.

2 Other limitations to cost-effectively spending additional funds by April, 30, 2009
3 include the seasonality of the heating and weatherization business. The peak season
4 for effectively promoting and achieving heating system and insulation upgrades is
5 during the fall months. Once the cold winter weather begins consumers typically
6 hold off on these upgrades until the following spring or fall heating season. Based
7 on historical gas heating sales statistics, on average sixty-six percent of heating
8 equipment replacements occur during the fall season. Given this scenario and the
9 fall season just around the corner, the ramp-up needs to be timely and rapid to
10 effectively impact the installation of these and other residential heating end-uses.
11 This scenario also supports the urgency of the proposed September 1, 2008 approval.

12 **Q. How many additional residential customers will be served by these expanded**
13 **programs?**

14 A. The Company plans to serve an average of 14 percent more customers in existing
15 energy efficiency programs that are targeted at residential heating end-uses. This
16 percentage is over and above the anticipated participation and respective additional
17 funding requested in the Company's June 30, 2008 Annual Report in docket
18 D.T.E 04-37/D.P.U. 08-36 that included a proposed budget for the program year
19 2008/2008. In addition to the programs that specifically target residential heating
20 end-uses, the Company expects to achieve further savings in programs that support
21 increased consumer savings (e.g., ENERGY STAR windows, water heating) through
22 its planned increase of broad based end-use marketing efforts and consumer

1 outreach. Further, the Company plans to use its outreach opportunities to drive
2 consumers to NSTAR Gas' web-based audit tools and work in concert with the
3 Department of Energy Resources, the coalition of Massachusetts utilities, and energy
4 efficiency service providers to consider other innovative energy saving tools as a
5 means to achieve supplemental energy efficiency participation and consumer
6 savings.

7 **Q. Please quantify the therm or mmBtu savings that will be achieved by expanding**
8 **the Company's residential heating energy efficiency programs.**

9 A. The following table quantifies the additional annual MMBtu savings that will be
10 achieved by expanding the Company's residential heating energy efficiency
11 programs.

Program	Additional MMBtu Savings
High Efficiency Heating Rebate	3,826
ENERGY STAR Thermostat	1,347
Weatherization	2,457
Low-Income Single Family	1,161
Low-Income Multi-Family	192

12

13 **Q. Please quantify the dollar savings on monthly bills that additional participants**
14 **will be expected to realize.**

15 A. On average, the monthly bill savings the additional participants can expect to realize
16 will be anywhere between \$10 and \$30, depending on the types of measures they
17 install. For example, a participant in the thermostat program will not save as much
18 per month as a participant investing in insulation or an efficient heating system.

1 **Q. What effect may program expansion have on the cost-effectiveness of the**
2 **applicable programs?**

3 A. The effect of program expansion on the cost-effectiveness of the applicable programs
4 will be minimal. All five programs continue to be cost-effective, following inclusion
5 of changes to budgets and customers served within the Company's benefit-cost
6 model. The following table indicates the new benefit-cost ratios ("BCR") and
7 compares them to those submitted in Exhibit 7 of the 2008 Annual Report.

Program	BCR 2008 Annual Report	BCR With Supplemental Budget
High Efficiency Heating Rebate	5.15	5.28
ENERGY STAR Thermostat	13.02	13.15
Weatherization	3.08	3.28
Low-Income Single Family	2.18	2.22
Low-Income Multi-Family	3.17	2.98

8

9 **Q. Should the Department consider expanding C&I energy efficiency programs in**
10 **2008?**

11 A. No. The Company does not believe there is sufficient time or customer demand to
12 expand C&I energy efficiency programs in 2008. C&I programs typically have a 6
13 to 18-month development cycle. NSTAR Gas plans to ramp up its C&I programs for

1 actual expansion in 2009. Also, given the state of the economy in the
2 Commonwealth, there is very little new construction taking place in the C&I sector.
3 In addition, many of small business customers do not have sufficient discretionary
4 funds to invest in energy efficiency opportunities at this time. Finally the Company
5 anticipates having sufficient remaining funds to meet anticipated through the
6 remainder of 2008.

7 **Q. How is the Company proposing to recover the incremental expenditures**
8 **relating to these expanded programs?**

9 A. As the Department is aware, the Company recovers expenditures for its gas energy
10 efficiency programs through its LDAC, M.D.T.E. No. 402B. Under this tariff, the
11 Company annually adjusts its rates to recover through the Conservation Charge
12 levied on its firm customers those demand side management (“DSM”) expenses that
13 are properly assignable or allocable to a rate category and incurred by the Company
14 in furtherance of DSM programs. Accordingly, the Company proposes to recover
15 any incremental costs associated with the increased budget proposed in this filing
16 consistent with the Company’s existing reconciliation mechanism for DSM, as
17 provided in the Company’s annual LDAC filing, made to the Department on
18 September 15th of each year.

19 **IV. PROGRAM MARKETING**

20 **Q. Please describe how the Company intends to market its expanded energy**
21 **efficiency programs for residential heating customers over the coming months.**

22 A. The Company plans to support program ramp-up with additional marketing and

1 educational activities. Examples of this include: newspaper advertising, radio spots,
2 web-site updates, direct mail campaign, targeted follow-up to recent audit
3 participants, Company newsletter and bill messages to all residential customers. The
4 Company also plans to work collaboratively with the Department of Energy
5 Resources, other Massachusetts utilities and energy efficiency service providers to
6 strategize about additional methods to enhance the delivery of audits and consumer
7 education outreach opportunities (e.g., conservation kits, audit screening protocols,
8 additional or alternate conservation information services available). Further, the
9 Company plans to reach out to heating contractors and HVAC supply houses via a
10 recently contracted "circuit rider", a new contractor incentive initiative for the fall
11 season, and upcoming HVAC contractor training events as a means to increase high
12 efficiency heating system replacements.

13 **Q. Does this conclude your testimony?**

14 **A.** Yes, it does.

D.T.E. 04-37 Five-Year Energy Efficiency Plan

2007 Annual Report

(May 1, 2007 - April 30, 2008)

Supplemental Exhibits



August 15, 2008

NSTAR Gas, D.T.E. 04-37

Energy Efficiency Program Changes

Residential Programs

Program Name	Program Year May 1, 2007 - April 30, 2008	Modifications Planned for Program Year May 1, 2008 - April 30, 2009
Combined High Efficiency Space and Water Heating Rebate	<p>A \$1,000 mail-in rebate for high efficiency, hot water boilers with a minimum 90% AFUE and <u>one</u> of the following:</p> <p>a \$300 mail-in rebate for high efficiency, indirect-fired water storage tank connected to a high efficiency boiler, 30-75 gals; or</p> <p>a \$300 mail-in rebate for high efficiency, on-demand water heater with a minimum 0.82 Energy Factor and no standing pilot.</p>	<p>The Company and GasNetworks plan to add a new rebate for combined high efficiency space conditioning and water heating units.</p> <p>The purpose is to recognize the increased availability of products from manufacturers that offer one piece of equipment that can perform more than one function within the same cabinet or enclosure.</p> <p><u>Qualifying Equipment:</u> A high efficiency, forced hot water boiler with a minimum 90% AFUE and the ability to generate potable hot water on demand with a built-in domestic hot water heat exchanger and without the use of external components. The maximum storage of hot water will be less than 3 gallons within the unit. Most of these units will incorporate what is known in the industry as “domestic hot water priority” whereby they will work to satisfy the space conditioning load only and until there is a demand for domestic hot water. When there is a call for domestic hot water, the unit will switch into a mode of operation where it puts all consumed energy into generating potable hot water until the demand for hot water ceases. At that time, the unit will return to space conditioning mode.</p>

Program Name	Program Year May 1, 2007 - April 30, 2008	Modifications Planned for Program Year May 1, 2008 - April 30, 2009
Combined High Efficiency Space and Water Heating Rebate (continued)		<p>These types of units have all the energy benefits of two individual pieces of equipment contained in one mechanical unit (low/no standby losses, no cycling losses for domestic hot water, continuous hot water supply when needed, etc.).</p> <p>Qualifying models will be identified as follows:</p> <ul style="list-style-type: none"> • Must have AFUE rating found in GAMA directory or appear on the ENERGY STAR web site as a qualifying boiler with a minimum AFUE of 90%. • The model number or model designator must clearly identify a water heating option or feature as part of the standard unit and without additional EXTERNAL components. <p>Units without an AFUE rating and/or not listed on one of the two resources will not qualify for the combined unit rebate.</p> <p>The proposed rebate level will be \$1,300.</p> <p>The amount of energy savings for the combined unit is assumed to be 220 therms per year per unit installed and is based upon the combined savings or a high efficiency boiler (141 therms) plus the savings generated by an on-demand water heater (79 therms).</p>

Program Name	Program Year May 1, 2007 - April 30, 2008	Modifications Planned for Program Year May 1, 2008 - April 30, 2009
High Efficiency Storage Water Heating Rebate	Not currently offered in the Company's energy efficiency programs.	<p>In April 2008, the U.S. Department of Energy announced new ENERGY STAR[®] criteria for water heaters, the first in the history of the program. The first phase of the ENERGY STAR criteria goes into effect January 1, 2009 and requires qualifying gas storage water heaters to have a minimum Energy Factor (EF) of 0.62 or they must be 6.9 percent more efficient than the Federal Standard.</p> <p>In an effort to acknowledge the benefits of a higher efficiency storage type water heater, and in support of the new ENERGY STAR storage water heater specification, the Company and GasNetworks plan to add a new rebate program for storage water heaters with the minimum EF of 0.62. It is expected that these water heaters will carry the ENERGY STAR logo beginning in January 2009. It is also expected that there will be a national campaign promoting the labeling of ENERGY STAR qualified water heaters.</p> <p>The proposed rebate level has not been determined at this time. Prior to January 1, 2009, the Company and GasNetworks plan to analyze the benefits relative to the cost of these new ENERGY STAR storage water heaters and determine how they can best influence the decision of future storage water heater purchases with an appropriate rebate level.</p>

Program Name	Program Year May 1, 2007 - April 30, 2008	Modifications Planned for Program Year May 1, 2008 - April 30, 2009
ENERGY STAR Thermostat Rebate		No Planned Changes
ENERGY STAR Homes		No Planned Changes
ENERGY STAR Windows		No Planned Changes
Weatherization	Rebate level of 50% up to \$1500.	Increase the current weatherization offering from 50% up to \$1500 to 75% up to \$2000. This would help many customers who need thermal upgrades.

NSTAR Gas, D.T.E. 04-37

Energy Efficiency Program Changes

Low-Income Programs

Program Name	Program Year May 1, 2007 - April 30, 2008	Modifications Planned for Program Year May 1, 2008 - April 30, 2009
Landlord/Renter Heating Pilot Initiative	There is no current landlord/renter rebate initiative.	<p><u>Background:</u> Landlords of multifamily housing (2-4 units) typically do not invest in heating system replacements for their income properties until the existing antiquated heating equipment becomes so degraded that it is totally inoperable and usually non-repairable. This scenario has a direct impact on tenants' energy use and energy bills, and often leaves tenants paying excessively high heating bills for old and inefficient equipment that is beyond their control. It also has an even greater impact on low income tenants' ability to pay extreme heating bills during the coldest winter months, when these customers often have to choose between basic essentials and staying warm. This dilemma is often compounded by the large number of low income tenants living in the aging "three-decker" style landlord-owned housing stock prevalent in the NSTAR Gas service territory.</p> <p>The Company believes one of the best ways to reduce these excessive heating costs is to introduce a plan encouraging landlords in this housing sector to replace (a.k.a. early retirement) dilapidated inefficient heating systems with high efficiency models.</p>

Program Name	Program Year May 1, 2007 - April 30, 2008	Modifications Planned for Program Year May 1, 2008 - April 30, 2009
Landlord/Renter Heating Pilot Initiative continued		<p><u>Plan Overview & Design:</u> The Company plans to implement a heating system early retirement pilot incentive to encourage landlords to replace old and inefficient heating equipment with high-efficiency heating equipment (e.g., ENERGY STAR-rated). The incentive will include a landlord co-pay of \$1,000, with the difference coming from low-income energy efficiency funds. Programs will operate using those standards and protocols currently used on the DHCD Heartwap Heating System Program, which is currently implemented by the Low Income Energy Affordability Network (LEAN).</p> <p>Upon rollout, the Company plans use its customer system to identify tenants with the highest bills and target those heating systems first. This will have the biggest impact on those customers that are struggling the most with their bills as we head into the next heating season. The first year of the initiative will be a pilot program based and implemented upon a limited case-by-case basis to determine a best practices protocol for a future and more broad-based roll-out.</p> <p>The Company plans to offer the incentive through an approved delivery mechanism negotiated and supported by LEAN and its lead low-income vendor, Action for Boston Community Development, Inc. (ABCD). Processing and administration of the incentives and installed equipment inspections will be the responsibility of ABCD in conjunction with LEAN.</p> <p><u>Cost Effectiveness:</u> The Low-Income Heating Program, including the new incentive level assumptions, was tested for cost effectiveness using the Total Resource Cost Test, as specified by the Department in D.T.E. 98-100, "Guidelines for the Methods and Procedures for the Evaluation and Approval of Energy Efficiency Programs" and was found to be cost effective.</p>

Program Name	Program Year May 1, 2007 - April 30, 2008	Modifications Planned for Program Year May 1, 2008 - April 30, 2009
Landlord/Renter Heating Pilot Initiative continued		<p><u>Proposed Implementation Date:</u> The Company plans to commence offering this incentive prior to the 08-09 heating season.</p> <p>It should be noted that this pilot will complement an identical NSTAR Electric pilot initiative currently being offered through its NSTAR Electric 2008 Energy Efficiency Plan. That NSTAR Electric pilot program targets homes with oil heating systems.</p>
Single-Family		<p>Working Poor Provision: The Company plans to work with the CAP agencies to expand the no cost energy efficiency services currently provided to customers that have incomes below 60% of median income to customers with incomes that range between 60% and 80% of the medium income. In order to support and help meet potential demand, these customers may also be served under the Residential Conservation Services/MassSAVE program.</p>
Multi-Family		No Planned Changes

NSTAR Gas, D.T.E. 04-37
Energy Efficiency Forecasted Program Budget
May 1, 2008 through April 30, 2009
Supplement 08/15/08

Residential

line	PROGRAM/INITIATIVE	Program Planning & Administration	Program Marketing	Customer Incentives	Program Implementation	Evaluation & Market Research	Total
	Residential Program Budgets:						
1	High Efficiency Heating Rebate	\$ 106,537	\$ -	\$ 538,100	\$ 16,464	\$ -	\$ 661,101
2	High Efficiency Water Heating Rebate	35,657	-	152,500	6,600	-	194,757
3	ENERGY STAR Thermostat Rebate	12,506	-	49,375	11,850	-	73,731
4	ENERGY STAR Homes	28,552	-	88,060	39,338	-	155,950
5	ENERGY STAR Windows	26,766	-	110,000	9,432	-	146,198
6	Weatherization Program	136,446	-	943,000	21,730	-	1,101,176
7	Massachusetts Building Code Support	2,241	-	-	10,000	-	12,241
8	Market Transformation	45,047	216,000	-	-	15,000	276,047
9	DOER Assessment	5,603	-	-	-	-	5,603
10	Total Residential Budget	\$ 399,355	\$ 216,000	\$ 1,881,035	\$ 115,414	\$ 15,000	\$ 2,626,804

Low-Income

line	PROGRAM/INITIATIVE	Program Planning & Administration	Program Marketing	Customer Incentives	Program Implementation	Evaluation & Market Research	Total
	Low-Income Program Budgets:						
	Residential Low-Income						
11	Residential	\$ 115,715	\$ -	\$ 667,729	\$ 222,576	\$ -	\$ 1,006,021
11a	Carryover	-	-	(37,503)	(12,501)	-	(50,004)
	Total Residential Low-Income Budget	\$ 115,715	\$ -	\$ 630,226	\$ 210,075	\$ -	\$ 956,017
	Low-Income						
12	Multi Family	\$ 12,857	\$ -	\$ 83,342	\$ 27,781	\$ -	\$ 123,979
12a	Carryover	-	-	(4,167)	(1,389)	-	(5,556)
	Total Commercial & Industrial Budget	\$ 12,857	\$ -	\$ 79,175	\$ 26,392	\$ -	\$ 118,423
13	LEAN Funding	20,000	-	-	-	-	20,000
14	Total Low-Income Budget	\$ 148,572	\$ -	\$ 709,401	\$ 236,467	\$ -	\$ 1,094,440

Commercial & Industrial

line	PROGRAM/INITIATIVE	Program Planning & Administration	Program Marketing	Customer Incentives	Program Implementation	Evaluation & Market Research	Total
	Commercial & Industrial Program Budgets:						
15	ENERGY STAR Thermostat Rebate	\$ 5,399	\$ -	\$ 12,250	\$ 2,940	\$ -	\$ 20,589
16	Infrared Rebate	7,279	-	20,000	480	-	27,759
17	High Efficiency Heating Rebate	9,092	-	24,500	1,080	-	34,672
18	High Efficiency Water Heating Rebate	2,440	-	6,600	264	-	9,304
19	Efficient Food Service Equipment Program	2,636	-	7,200	216	-	10,052
20	Custom	217,262	-	600,000	11,250	-	828,512
21	Massachusetts Building Code Support	3,554	-	-	10,000	-	13,554
22	Market Transformation	33,589	79,500	-	-	15,000	128,089
23	DOER Assessment	5,602	-	-	-	-	5,602
24	Total C&I Budget	\$ 286,853	\$ 79,500	\$ 670,550	\$ 26,230	\$ 15,000	\$ 1,078,133
25	COMPANY TOTALS	\$ 834,780	\$ 295,500	\$ 3,260,986	\$ 378,111	\$ 30,000	\$ 4,799,377

NSTAR Gas, D.T.E. 04-37
Energy Efficiency Program Portfolio
Supplement 08/15/08

Benefit/Cost Ratios by Program
Lifetime Impacts of Measures Installed from May 2008 through April 2009

Program Initiative	Measure Life	Benefits (2008\$)	Costs (2008\$)	B/C Ratio
Company-Specific Programs				
- Residential Weatherization	25	\$ 5,082,109	\$ 1,551,586	3.28
- Low-Income Single-Family	23	2,118,302	956,017	2.22
- Low-Income Multi-Family	20	352,550	118,423	2.98
- C&I Custom	15	8,062,554	1,553,977	5.19
Total Company Specific Programs		\$ 15,615,515	\$ 4,180,003	3.74
Regional GasNetworks Programs				
- ENERGY STAR Thermostat Rebate (residential)	10	\$ 1,619,053	\$ 123,106	13.15
- ENERGY STAR Thermostat Rebate (commercial)	10	360,474	32,839	10.98
- ENERGY STAR Homes	25	1,578,065	623,144	2.53
- ENERGY STAR Windows	35	1,926,386	256,198	7.52
- Residential High Efficiency Heating	20	4,790,804	906,501	5.28
- Commercial High Efficiency Heating	20	280,729	55,672	5.04
- Residential High Efficiency Water Heating Rebate	20	689,059	195,774	3.52
- C&I High Efficiency Water Heating Rebate	20	26,873	9,304	2.89
- Infrared Rebate	20	509,828	47,759	10.68
- Efficient Food Service Equipment	15	102,438	17,252	5.94
Total Regional Programs		11,883,710	2,267,549	5.24
-Massachusetts Building Code Support (Res. and C&I) ⁽¹⁾		N/A	N/A	N/A
-Market Transformation (Res. And C&I) ⁽¹⁾		N/A	N/A	N/A
TOTAL ALL PROGRAMS		\$ 27,499,226	\$ 6,447,552	4.27

Benefit/cost ratios have been calculated in accordance with the guidelines established in D.T.E. 98-100 using the Total Resource Cost Test.

⁽¹⁾ Cost effectiveness was not calculated for the MA Building Code Support or Market Transformation initiatives because there are no direct measured savings for these efforts at this time. The costs associated with these initiatives were allocated across other programs.

NSTAR Gas, D.T.E. 04-37/D.P.U. 08-36

Energy Efficiency Programs

Supplement 08/15/08

Summary of 2008-2009 Performance Incentives

	Program/Initiative	Program Budget *	Measure Unit	Goal	Incentive Dollars
	Residential Programs:				
1	High Efficiency Heating Rebate	\$ 661,101	rebates	1,532	\$ 37,093
2	High Efficiency Water Heating Rebate	194,757	rebates	508	10,928
3	ENERGY STAR Thermostat Rebate	73,731	rebates	1,975	4,137
4	ENERGY STAR Homes	155,950	certifications	238	8,750
5	ENERGY STAR Windows	146,198	rebates	11,000	8,203
6	Weatherization Programs **	2,057,193	therms	271,860	115,426
	Commercial & Industrial Programs:				
7	Infrared Rebate	27,759	rebates	40	1,558
8	High Efficiency Heating Rebate	34,672	rebates	95	1,945
9	High Efficiency Water Heating Rebate	9,304	rebates	22	522
10	ENERGY STAR Thermostat Rebate	20,589	rebates	490	1,155
11	Efficient Food Service Equipment	10,052	rebates	18	564
12	Custom **	946,935	therms	511,736	53,131
13	Total	\$ 4,338,241			\$ 243,413

If the Company achieves less than 75% of goal (the Threshold Performance Level), it will receive no incentive for that program.

If the Company achieves 100% of goal (the Design Performance Level), it will receive 100% of the incentive for that program.

If the Company achieves 125% of goal (the Exemplary Performance Level), it will receive 125% of the incentive for that program.

Between 75% and 125% of goal, the incentive will be based on a linear interpolation between the Threshold and Exemplary Performance Levels.

For non-numeric goals there are no thresholds, the Company must meet design goal.

After Tax Shareholder Incentive = (Average Yield of three-month Treasury Bill/.60775) x Energy Efficiency Budget ⁽¹⁾

⁽¹⁾ Average Yield of the three-month U.S. T-Bill assumed to be 3.41%.

.60775 = 1 minus the effective corporate tax rate.

* Includes all program allocated costs minus DOER Assessment and LEAN Funding.

** Includes low income weatherization programs.